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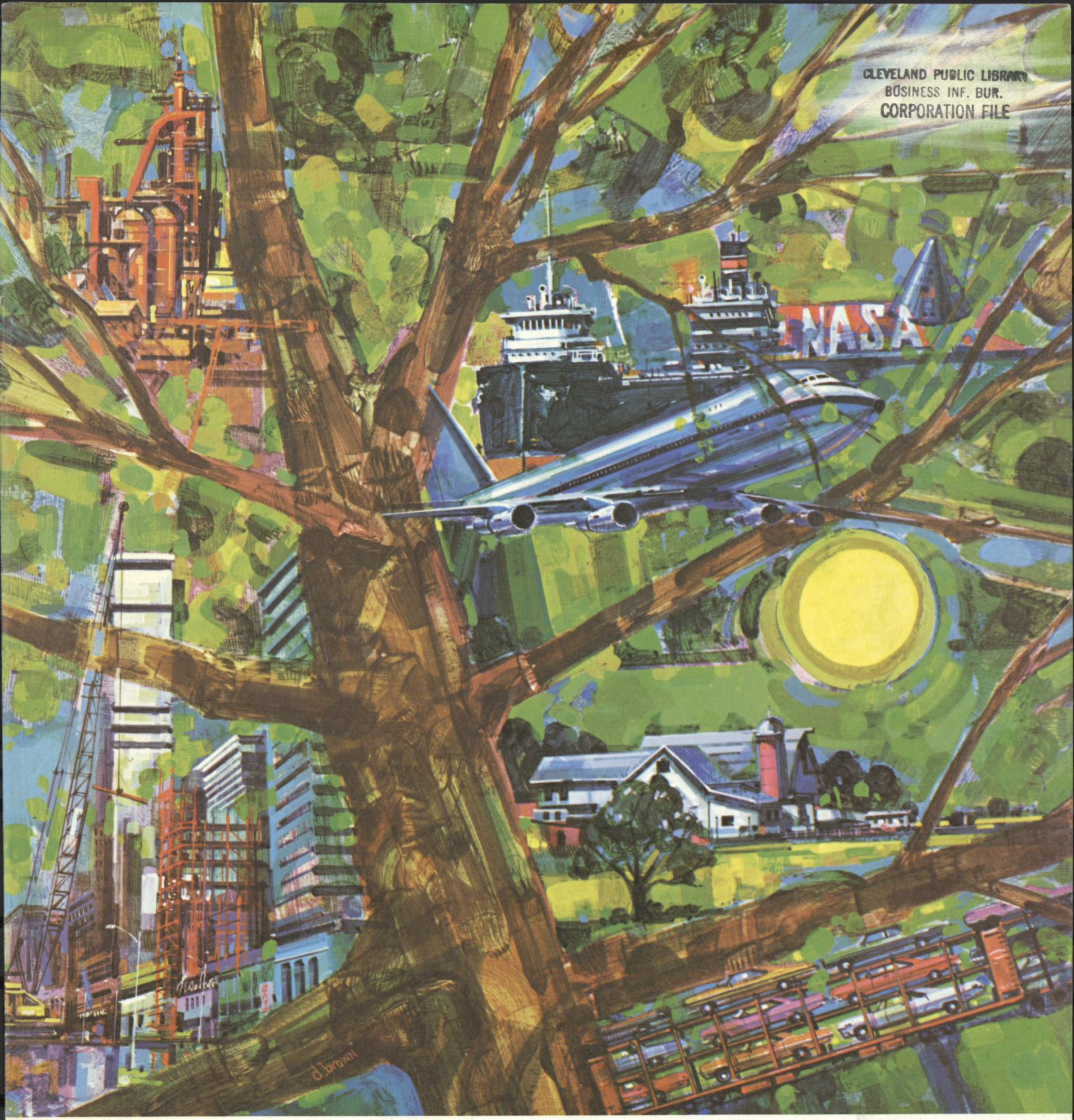


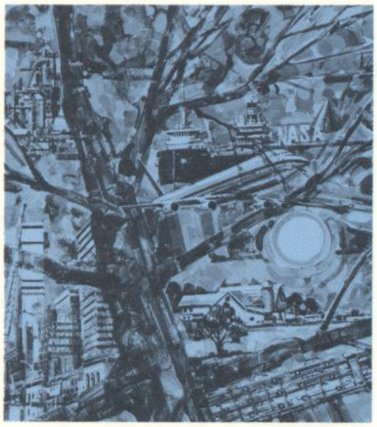
Centran Bancshares Corporation

First Annual Report • 1971

Central National Bank of Cleveland • American Bank of Commerce, Akron

About the cover

Cleveland artist, Don Brown, has symbolized some of the activities which make Ohio a dynamic banking market: light and heavy industry, construction, transportation, farming, research and development.



Centran Bancshares Corporation

Centran Bancshares Corporation is a multi-bank holding company, formed by Central National Bank of Cleveland. It commenced business on December 31, 1971. Its present affiliates are Central National Bank and American Bank of Commerce, Akron. Central National, chartered in 1890, offers a complete range of banking services to individuals and business firms. Its primary trading area is Cuyahoga County. American Bank of Commerce, Akron, was formed in 1969 through the merger of the Evans Savings Association founded in 1891, and the Barberton State Bank, incorporated in 1959. Its primary trading area is Summit County.

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Transfer Agent: Central National Bank of Cleveland
Co-Transfer Agent: Chase Manhattan Bank, New York, N. Y.

Common Shares of Centran Bancshares Corporation are sold Over-the-Counter and are included in the NASDAQ network.

Shareholders as of January 1, 1972 were 9,707.

The Annual Meeting of Shareholders of Centran Bancshares Corporation will be held Tuesday, April 4, beginning at 9:30 a.m. in the West Ballroom of the Hollenden House Hotel on Superior Avenue in downtown Cleveland. The Hollenden House is next door to the Central National Bank Building.

1971 Highlights

Centran Bancshares Corporation and Affiliates

- Central National Bank of Cleveland, the lead bank, and American Bank of Commerce, Akron, became affiliates of Centran Bancshares Corporation.
- An agreement in principle reached with Mid-Ohio Banc-Shares, Inc., of Mansfield, O., a multi-bank holding company, for the acquisition of Mid-Ohio, which owns substantially all the stock of three banks with combined assets of $100 million.
- President John A. Gelbach assumed duties as chief executive officer of Central National Bank and chairman and president of Centran Bancshares Corporation.
- Average total deposits reached new all-time high in 1971.
- Average loans increased by $63,343,000 over 1970.
- Operating income per share amounted to $3.01 in 1971 compared with $3.13 in 1970; net income was $2.79 in 1971 versus $2.71 in 1970.

Year in Brief

For the Year	1971	1970
Income Before Security Transactions	$ 10,006,000	$ 10,397,000
Per Share	3.01	3.13
Net Income	9,273,000	9,016,000
Per Share	2.79	2.71
Cash Dividends Per Share	1.60	1.53
Average Balances		
Deposits	1,122,442,000	1,011,048,000
Loans	736,023,000	672,680,000
Securities	341,451,000	298,709,000

To the Shareholders of Centran Bancshares Corporation and the Customers, Friends and Employees of our Affiliate Banks:

John A. Gelbach

This is the first Annual Report of Centran Bancshares Corporation, your new holding company which became operational at year-end 1971. At that time, the American Bank of Commerce, Akron, Ohio became an affiliate of Centran together with Central National Bank of Cleveland.

Holding Company Advantages

As explained to the Shareholders of Central National Bank at last year's annual meeting, your management believes that the holding company form of corporate structure holds the best potential for future growth. Under present state law, banks in Ohio may branch only within the county in which their main office is located, whereas a bank holding company may have affiliates throughout the state. Central National Bank has prospered over the years in its Cuyahoga County location, and we remain optimistic about the future of Cleveland as a banking center. However, there are other banking markets in Ohio which we feel we can serve more effectively through strategically located Centran affiliates. Some of the advantages of the Ohio market are discussed in more detail in a special section of this report.

The benefits of bank holding companies accrue not only to the shareholders and employees of the organizing or principal affiliate, but in addition there are equally important advantages flowing to the shareholders, employees and home communities of each affiliate. Shareholders benefit because the stock of the holding company which they receive in exchange for their local bank stock is, in most cases, considerably more marketable. Since, for example, holding companies are not dependent upon the performance of any single unit, their earnings prospects are more diversified. This diversification, coupled with greater access to capital markets, enables holding companies generally to maintain a more consistent dividend policy than most small independent banks.

Employees of banks which affiliate with holding companies benefit from the expanded career opportunities available in a larger, more diversified organization. Local communities gain through more direct access to new financial services and larger financial resources.

Agreement Reached With Mid-Ohio

Last October, we reached agreement with Mid-Ohio Banc-Shares to acquire that company which is a bank holding company owning substantially all of the stock of The Richland Trust Company, Mansfield, the Farmers and Savings Bank, Loudonville, and the Sutton State Bank, Attica. The merger is subject to the approval of Mid-Ohio shareholders and various governmental agencies. Acquisition of Mid-Ohio would add three additional banks with aggregate assets in excess of $100 million to the Centran family.

In addition to the opportunities for geographic expansion, the holding company form of organization also offers new flexibility for functional diversification into lines of business closely related to banking, thus potential acquisitions of non-bank financial institutions as well as additional banks are being reviewed continually.

However, your management is dedicated to the philosophy that growth and diversification are not ends in themselves but rather a means of benefiting our current shareholders. To this end, we have established strict standards to measure the impact of a proposed acquisition on future earnings. Clearly an acquisition which more than temporarily dilutes earnings per share for the acquiring company benefits neither buyer nor seller.

The Economic and Monetary Environment

The economy continued its recovery from the 1969-70 recession but the pace of the advance remained moderate. Retail sales showed a healthy rise and 1971 was a record year for housing, but business spending was restrained as corporate executives pursued a cautious policy with respect to inventories, plant expansion and purchases of new equipment.

The increase in output was barely enough to absorb new entrants into the labor force. As a result, unemployment hovered near the 6% level throughout the year. In an effort to speed the return to full employment, the Federal Reserve System pursued an aggressively easy monetary policy and interest rates fell sharply. The combination of sluggish loan demand and declining interest rates put pressure on bank earnings.

To the Shareholders *continued*

Financial Performance

The financial highlights of the past year are summarized on page two. Net operating income before security transactions was $10,006,000 or $3.01 per share in 1971, compared with $10,397,000 or $3.13 per share in 1970 — a decline of 3.8%. However, the trend of earnings showed steady improvement with the first quarter down 15% and last quarter up 7½% from the comparable period of the previous year. Net income per share of $2.79 in 1971 was up from $2.71 in 1970. Centran's reported earnings for both years are those of Central National Bank. They have not been restated to include the American Bank of Commerce since the purchase method of accounting was used to record that acquisition.

In spite of a $63 million increase in average loans outstanding, interest income on loans was over $2 million lower in 1971 than in 1970 as a result of the sharp drop in interest rates. The prime rate at year-end was 5¼% compared with 6¾% at the beginning of the year, and the average rate of return on loans was down over a full percentage point. Total cost of funds, on the other hand, was down less than $200,000. In the short run, the rate of return on loans is more interest-rate sensitive than interest payments.

In addition to the reduced interest differential between the rate of return on assets and the cost of funds, another primary cause of the decline in operating income before security transactions was an increase in the provision for loan losses of just over $1 million to $2,236,000.

Faced with these pressures, other expenses were held under tight control. Wages, salaries and employee benefits of $16,838,000 in 1971 were only $37,000 higher than in 1970 and all other operating expenses of $12,545,000 were up only $220,000. These results were made possible by the cooperation of all Central National Bank staff members in a formal Profit Improvement Program which resulted in a contribution of roughly one million dollars to 1971 profits. Moreover, this expense control was achieved without impairing the ability of the bank to serve its customers and expand its markets.

A Look Ahead

Short run economic prospects are good. Consumers are flush with savings and seem to be growing more confident concerning their future income prospects which should lead to rising retail sales. The current record level of activity and continued availability of mortgage funds ensures another two million plus year for housing starts. Even with a continued winding down of the Viet Nam War, defense spending seems poised for a rise following the sharp drop from the peak levels of mid-1969.

As sales and production grow, business will find it necessary to replace and enlarge inventories and eventually add new plant and equipment. Given the current high level of unemployment and unlikelihood of any significant reduction in the near future, monetary policy will remain accommodative and the expected huge Federal budget deficits will provide further stimulus.

Loan demand, particularly business demand, should pick up as the year progresses and this increase, coupled with the huge financing requirements of all levels of government, should lead to a firming of interest rates.

Under these conditions, Centran's banking affiliates would look forward to a year of rising loan volume and some improvement in the interest differential between the return on assets and cost of funds.

JA Gelbach

John A. Gelbach
Chairman and President

February 15, 1972

Ohio
New Markets — New Opportunities

The formation of Centran Bancshares marked the beginning of a new era of opportunity for the former shareholders of its principal subsidiary, Central National Bank of Cleveland, who are now shareholders in Centran.

Whereas Central National Bank's primary market area was limited to Cuyahoga County, Centran may operate through affiliates in all of Ohio — a market which is over 5 times as large in terms of population and personal income, 5 times as large in terms of value added by manufacturing, and a market which in the decade of the 1960's grew more than twice as fast in terms of population.

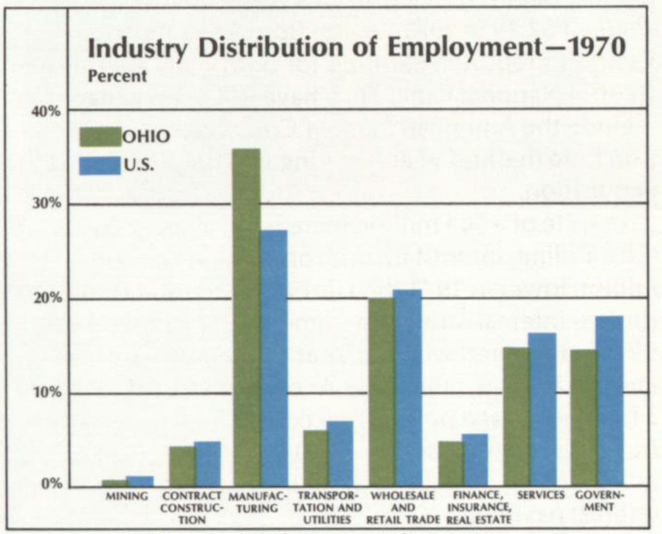
From its Cleveland location, Central National currently serves customers in all areas of Ohio and throughout the country and the world. However, physical convenience is one of the most important considerations in establishing a banking relationship, particularly for individuals and smaller corporations. Just as Central National found it advantageous to establish branches throughout Cuyahoga County in order to follow its customers as population shifted from Cleveland to the suburbs, Centran through its affiliates can "Go where the action is" throughout the State of Ohio. The benefits derived from this broadened market will also accrue to Centran's other affiliate, the American Bank of Commerce, Akron, as well as to future affiliates. Some of the factors which make Ohio an exciting market for a financial corporation are discussed in this section.

Ohio—An Overview

Ohio is a big market. Its estimated population in the 1970 census was over 10½ million, the sixth most populous state in the Union. The 1970 total personal income of Ohio residents was $42.4 billion, 5% of the total for the nation as a whole. Value added by manufacturing in 1968, the last year for which data are available, was over $22 billion.

It is a wealthy market. Per capita income of Ohio residents in 1970 of $3,972 and effective buying income per household of $10,831 were both above the national average. Banking assets in the state are close to $25.5 billion and total assets at all financial institutions $38 billion.

It is a highly industrialized market. In 1970, 36% of its workforce was engaged in manufacturing activities compared with 27% nationally. The $22 billion value added by manufacturers in 1968 noted above was almost 8% of the nation's total, and third highest among all of the states.


Industry Distribution of Employment—1970

Source: U.S. Department of Labor, Bureau of Labor Statistics.

It is an urban market. Ohio has nine metropolitan areas of over 100,000 in population, more than any state other than California.

There are those who would say that these characteristics — industrialization and urbanization — are drawbacks, not advantages. Admittedly, mature industrial areas are troubled by long ignored environmental and social problems that must be solved if they are to grow and prosper in the future. However, we believe they will be solved for we detect signs that the nation is finally awakening to the need for action. The future of the country is so closely tied to its industry and its cities that further industrial growth must be made compatible with ecological requirements and the quality of life in our urban centers must be improved.

The success of the space program gives evidence of what America can accomplish when she channels her vast human, physical and technological resources toward a particular goal.

The Ohio economy is big and it is mature — but it is not static. The decade of the 1960's was marked by growth and diversification and there is every indication that these trends will continue if not accelerate in the decade of the 1970's.

Ohio—Industrial Giant

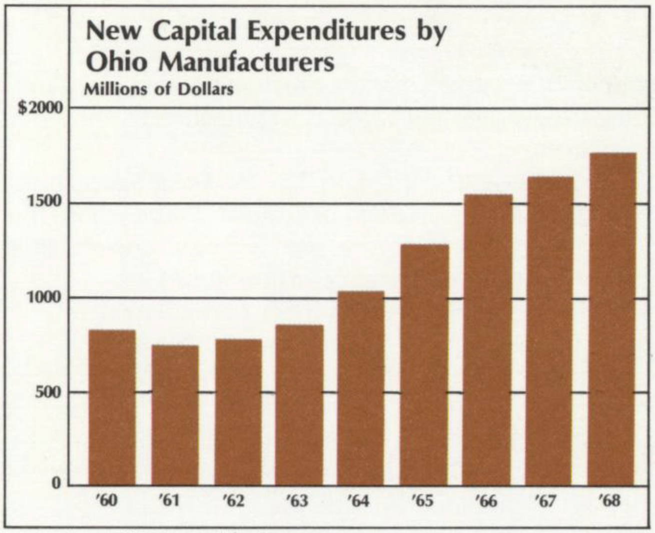
Of the 36% of Ohio workers engaged in manufacturing, close to three quarters were in durable goods industries in 1970. Ohio assembles more automobiles than any state except Michigan, and it is the leading producer of auto parts and accessories. Akron has long been known as the "Rubber Capital of the World" with five leading producers of tires headquartered there.

The Lorain-Cleveland-Youngstown axis is one of the major steel-producing areas in the country. Mills located in Ohio account for over 20% of the nation's production. Three major steel companies have their headquarters in Ohio as do ten of the largest producers of machine tools. Cleveland and Cincinnati are major centers of machine tool production.

Statewide total employment in the machinery industry was over 220,000 in 1970. Transportation equipment is another major industry and employs over 150,000 people.

From 1960 to 1968, value added by manufacturing in Ohio increased by $8.5 billion or over 60% and the number of employees on manufacturing payrolls rose by over 140,000, up more than 10%, in the decade of the 1960's. This growth was made possible by one of the highest rates of capital formation in the country.

In 1968 new capital expenditures by manufacturers in Ohio were $1,760 million, the highest of any state and more than double the 1960 total of just over $800 million. In five of the last eight years, Ohio ranked first in new capital expenditures by manufacturers.



Source: U.S. Bureau of the Census

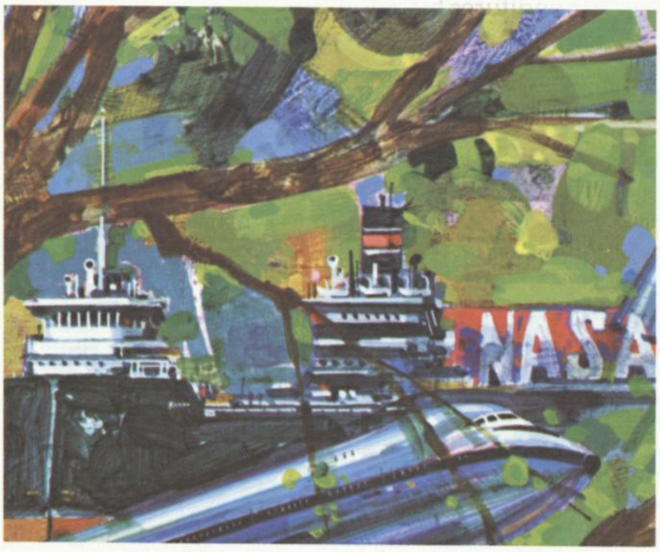
Ohio—Diversified Economy

But Ohio is more than factories and big cities. It is a headquarters state. The May 1971 issue of *Fortune* listed 42 Ohio industrial companies among the nation's 500 largest in terms of sales. Partly because it is home for so many of the country's great corporations, Ohio has developed into an important legal and accounting center. In Cleveland, there are five law firms which have over 60 lawyers each on their staffs, and there are 7,000 certified public accountants in Ohio.

Ohio also has an important agricultural sector. Cash receipts from the sale of agricultural products were close to a billion and a half dollars in 1970, divided about equally between crop and livestock products.

Ohio is one of the nation's major producers of bituminous coal. In 1969, the value of production was over two hundred million dollars.

Ohio industry has also had an important role in Space Age technology and product development. Cleveland's NASA Lewis Research Center presently has 1600 scientists and engineers engaged in research and development work on space power and advanced propulsion. The Lewis research facility ranks fourth in numbers employed at NASA installations. In the four years ending June 30 of this year, the Lewis Research Center will have conducted research and development projects worth more than $600 million.



Ohio—Geographic Advantages

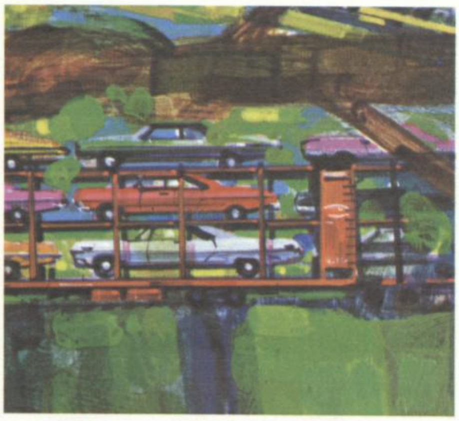
Ohio's favored geographic location is one of the principal factors in its economic development.

Ohio is located at the center of the greatest industrial and consumer market in the Western Hemisphere.

However, spatial proximity to markets is virtually meaningless unless they are readily accessible so that goods can be delivered quickly and cheaply. With Lake Erie on the north and the Ohio River to the east and south Ohio has enjoyed built-in transportation advantages equalled by few other states. To this natural system man added canals, then followed them with a network of rails and roads.

Within overnight shipment by rail or truck from Ohio there are 20 of the country's billion-dollar industrial markets and . . .

- two-thirds of U.S. value added by manufacturing—
- over 60% of the nation's bank deposits—
- three-fourths of payroll dollars—
- over half of retail sales—
- two-thirds of U.S. exports—



Ohio—World Trader

Given Ohio's preeminence in manufacturing and its easy access to world markets through the St. Lawrence Seaway by virtue of its location, it is not surprising that Ohio is one of the leading exporters of manufactured products. In 1969, the latest date for which data are available, estimated exports by Ohio manufacturers totaled $2,338 million. This was almost double the 1960 volume of $1,219 million and only California, Michigan and Illinois export more manufactured products. Ohio is the nation's leading exporter of rubber, plastic, stone, clay and glass products; it ranks second in the export of non-electrical machinery, primary metals and fabricated metal products, and third in transportation equipment.

A broad spectrum of the Ohio economy benefits from access to the world market. Today, there are more manufacturing firms in Ohio engaged in exporting than in any other state. Exports provide roughly 5% of all jobs for Ohio workers.

The St. Lawrence Seaway opened Ohio's "North Shore" to the world's shipping. Now there is the strong prospect of a direct air link to all the world's markets through an international regional jetport to be located on a man-made island in Lake Erie off the Cleveland shoreline. Engineering and feasibility studies for this airport—which would be one of only six in the United States—are about to get underway.

The location in the lake solves noise and other ecological problems. When completed the project would add 5,000 acres of industrial land and 70,000 new jobs to the Ohio economy.

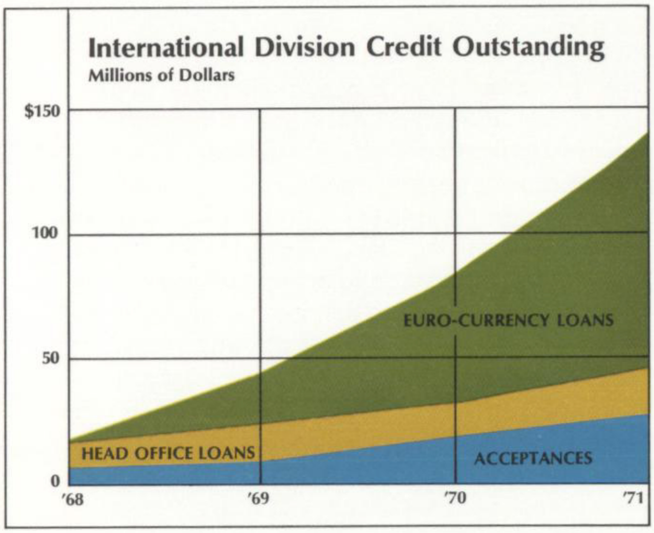
Eventually capable of handling superjets as well as today's jets this international jetport would strengthen Ohio's position in world trade.

International

New Services—New Growth

Centran's affiliate, Central National Bank, has long recognized the potential of foreign markets and has established a full service international banking department to serve the international needs of its customers and to capitalize on the multi-billion dollar foreign trade activities in Ohio and surrounding states.

We believe that today, Central National ranks first in Ohio in international banking—both in total volume of financing as well as organizational depth and service capability. As indicated by the accompanying chart, total credit outstanding has grown from $20 million at year-end 1968 to $140 million at year-end 1971, a sevenfold increase.



Our objective for 1972 calls for a further growth of 50%. The secret to achieving this ambitious goal is twofold: (1) aggressive business development by an experienced staff and (2) growing acceptance in both Ohio and overseas of Central's international capabilities.

In the past year, our officers have traveled abroad and called upon banks, corporations and government agencies in 50 different countries in the Far East, Oceania, Latin America and both East and West Europe.

As a result of contacts developed directly by overseas travel and other means, Central and its Edge Act subsidiary, Central Cleveland International Bank, have credit commitments in 49 different countries.

Full Service International Banking

Among the many services Central National has performed for its customers are:

- Export financing for Ohio exporters and/or their foreign buyers, often in cooperation with the Export-Import Bank of the United States and the Foreign Credit Insurance Association.
- Operational services, including processing of import and export letters of credit and underlying documentation, overseas collections of export sales proceeds and payment and receipt of funds for account of both domestic and foreign clients.
- Expediting shipments and collecting funds arising from exports flowing via New York and other East Coast commercial centers by our wholly-owned Edge Act subsidiary, Central Cleveland International Bank in New York City.
- Full service foreign exchange trading to assist corporate customers in converting into dollars their foreign sales proceeds, dividends and royalties denominated in foreign currencies.

- Euro-dollar and other Euro-currency loans granted to foreign and American borrowers by our branch in Nassau, Bahamas. There we also bid for deposits of off-shore funds owned by Americans and foreigners at competitive rates.
- Through our foreign banking affiliates in Amsterdam and Paris, our European Representative stationed in Paris, and our Cleveland and New York International Officers traveling actively in major foreign countries, we have assisted clients with local currency loans, stock underwritings, market research, international cash management, and arrangements for local financial, tax and operating expertise.

Central National Bank is presently providing a number of Ohio-based corporations with one or a combination of the above-mentioned services.

A Case History

Our relationship with a large multi-national company provides a good illustration of the varied ways in which Central can be of assistance to a customer. Central has financed the company's imports of raw material from Southeast Asia. As the material is purchased in local currencies, Central's foreign exchange department has provided the foreign currency funds in exchange for dollars. Both Central National Bank and Central Cleveland International Bank have handled export documents and collection of the customer's receivables covering exports of manufactured products. On occasion, loans were made to one of the company's foreign subsidiaries for balance of payment purposes and term credit has been extended to another foreign subsidiary for plant expansion. Central has also bid on the financing of the company's exports of manufacturing equipment destined for a foreign affiliate.

Central National is dedicated to maintaining its position as the foremost international bank in Ohio by continuing to meet a broad range of its clients' needs in all their foreign operations. We believe that in the decade of the 70's expanded international trade and finance will provide unparalleled opportunities for growth.

The Year in Review

Financial Review

Accounting Preface

At the close of business on December 31, 1971, Centran Bancshares Corporation became operational with the acquisition of Central National Bank of Cleveland and the American Bank of Commerce of Akron, Ohio.

The exchange of shares of Central National Bank of Cleveland for Centran shares has been accounted for as a pooling of interests. The acquisition of the American Bank of Commerce has been accounted for as a purchase, effected December 31, 1971.

Accordingly, the consolidated statement of condition of Centran at year-end 1971 includes the consolidated assets and liabilities of all three entities—Central National Bank, American Bank of Commerce, and Centran Bancshares. Statements of Condition of 1970 and prior years of Centran are those of Central National Bank.

Income of Centran for 1971 and all prior periods reflects the income of Central National Bank alone, under pooling of interests accounting, since Centran had no income. Income of American Bank of Commerce will be included in statements of income for 1972 and thereafter, under purchase accounting procedures.

In the text which follows, all yields are stated on a fully taxable equivalent basis and assets and liabilities are annual averages unless otherwise noted.

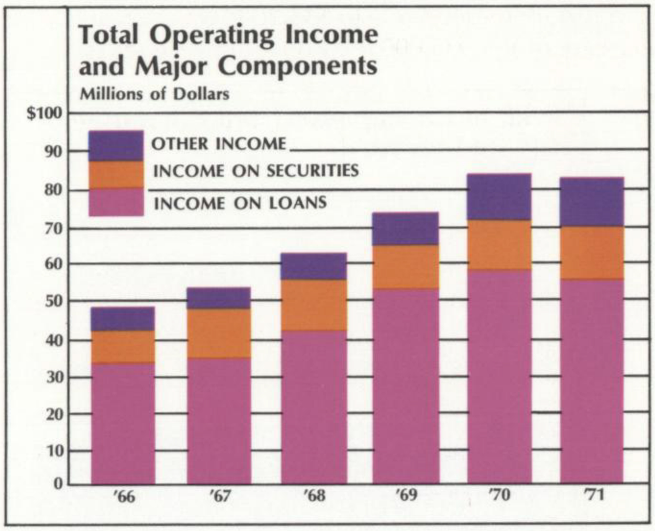
Operating Income

The general decline in interest rates in 1971 resulted in a lower rate of return on earning assets for Centran. The composite yield on all classifications of assets was 7.42% compared with 8.19% in 1970. While average earning assets increased $106,085,000 to a total of $1,077,474,000, interest income declined from $71,750,000 to $70,768,000.

A $63,343,000 rise in average loans was not enough to offset the impact of falling interest rates and loan income declined from $57,327,000 in 1970 to $55,201,000. Nevertheless, loan income continued to be the bank's most important source of revenue, accounting for 66.7% of gross income.

Average holdings of government securities were increased moderately, but interest income from this source declined as the rate of return shrank from 6.10% in 1970 to 5.39% in 1971.

Interest on municipal securities amounted to $9,799,000 and showed a substantial increase over the 1970 total. Average holdings were increased $39,564,000 and the composite yield on municipals increased slightly to 8.28% from 8.20% in 1970, as low yielding securities were sold early in the year, and the proceeds reinvested in higher coupon issues then available.


Total Operating Income and Major Components

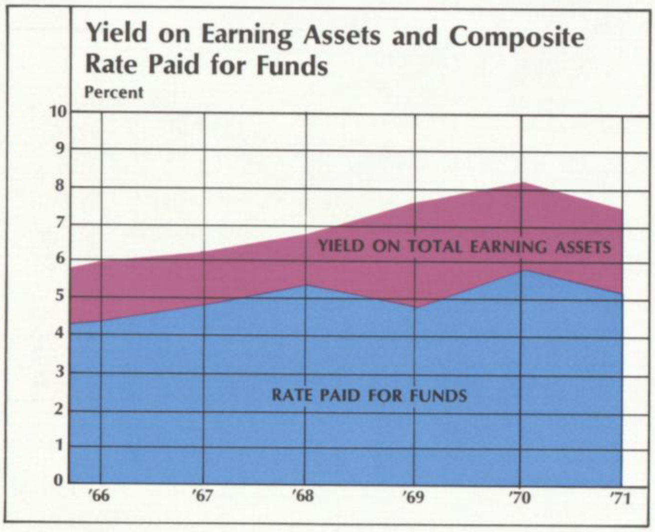
Millions of Dollars

Trust Department fees increased slightly to a total of $3,078,000. Income from all other sources including International Department transactions (an important source of revenue in 1971), computer service fees, service charges on deposit accounts, and safe deposit rentals amounted to $8,888,000 and was moderately higher than in 1970.

Operating income from all sources totaled $82,734,000 compared with the record high of $83,556,000 earned in 1970, a decline of 1.0%.

Expenses—Cost of Funds

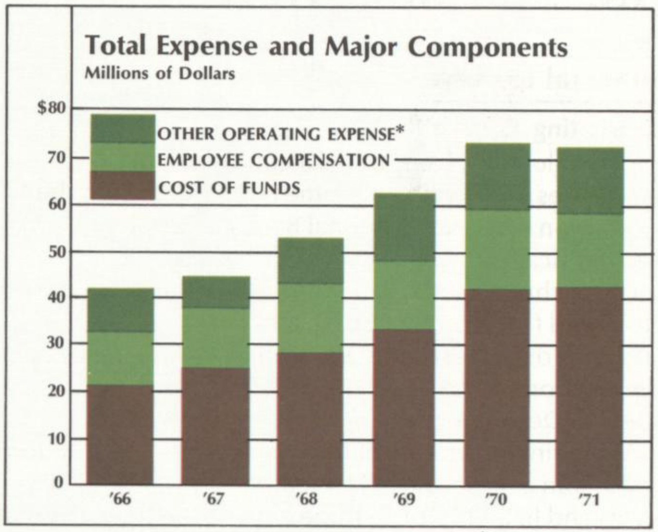
The decline in interest rates on earning assets was partially offset by a decline in rates of interest paid for funds. The average cost of passbook savings fell from 4.25% in 1970 to 3.99% as a result of a reduction in the rate paid to 4% from 4½% on April 1st. The effective cost of certificates of individuals remained unchanged at 5.24%, but the cost of other time deposits, principally corporate C/D's, declined from 7.88% in 1970 to 6.25% in 1971. Despite lower interest cost, interest expense of deposits increased 4.4% to $33,968,000 as a result of an increase of $91,935,000 in average time deposits.


Yield on Earning Assets and Composite Rate Paid for Funds
Percent

Interest on borrowed funds declined substantially from $5,560,000 in 1970 to $3,789,000 — a reduction of $1,771,000 or 31.9%, despite an increase of $5,050,000 to $79,757,000 in average borrowings. Early in the year the decision was made to maintain a relatively high level of borrowings, principally Federal Funds, because of the low cost of such funds relative to alternative sources of funds.

The total cost of funds was $40,774,000 compared with $40,936,000 in 1970. However, the percent of operating income absorbed by the cost of funds again increased in 1971, reaching nearly 50% as a result of the decline in interest income and the increase in interest-bearing deposits relative to total deposits.

Operating income after the cost of funds amounted to $41,959,000 — down $662,000 or 1.6% from the 1970 figure.


Total Expense and Major Components
Millions of Dollars

*Includes Income Taxes

Other Operating Expenses

In the latter half of 1970, a cost control program was initiated with very satisfactory results to date. Total operating expenses amounted to $31,618,000 compared with $30,324,000 in 1970, an increase of $1,294,000 or 4.3%. This may be compared with an increase of $5,326,000 or 21.3% in 1970 over 1969.

Total employee compensation, including salaries, bonuses, pensions, profit sharing and other benefits, was $16,838,000 in 1971, up only $37,000 over 1970.

In prior years, increases in this classification of expense have customarily been approximately 10% — an indication of the excellent cost control exercised in 1971. The average number of employees in 1971 declined to 1,636 from 1,724 in 1970. The reduction of staff was achieved through operating efficiencies without causing any impairment of the quality of service to customers.

Occupancy expense increased moderately in 1971 after a very large increase in 1970 over 1969, reflecting the higher cost of larger quarters in the new Central National Bank Building.

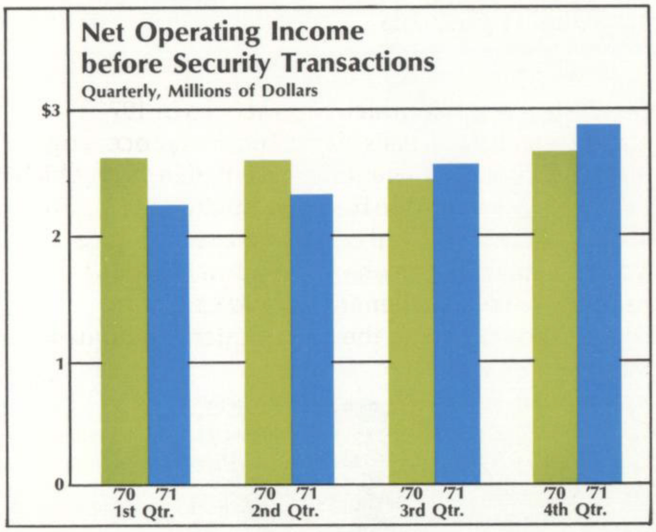
The minimum provision for loan losses required by supervisory authorities again increased. The minimum provision was $2,236,000 in 1971 compared with $1,199,000 in 1970.

All other operating expenses combined, which includes equipment expense, totaled $8,454,000 — up $196,000 or 2.4%.

Earnings

Income before the provision for Federal Income Taxes and before the results of security transactions amounted to $10,341,000 compared with $12,297,000 in 1970. The provision for Federal Income Taxes was $335,000, down from $1,900,000 in 1970.

Net operating income (income after taxes but before the results of security transactions) was $10,006,000 and was $391,000 or 3.8% lower than in 1970. While this is a disappointing result, it should be noted that the declining trend in operating income was reversed in the second half of 1971. Operating income in the third and fourth quarters of 1971 was higher than in the corresponding periods of 1970.


Net Operating Income before Security Transactions
Quarterly, Millions of Dollars

On a per share basis, operating income amounted to $3.01 in 1971, compared with $3.13 in 1970. Return on shareholders' equity was 11.9% in 1970 and 11.3% in 1971.

A restructuring of Central's securities portfolio, particularly holdings of tax-free securities, continued into 1971. As a result, the composite yield on tax-free securities rose from 8.20% in 1970 to 8.28% in a period when interest rates were declining sharply.

The program resulted in losses of $1,410,000 in 1971, and $2,718,000 in 1970. After giving effect to the reduction in Federal Income Taxes resulting therefrom, net charges to earnings were $733,000 in 1971 and $1,381,000 in the preceding year.

It is important to note that the higher yield achieved on reinvestment will produce additional future income in excess of losses taken.

Net income of $9,273,000 was $257,000 higher than the $9,016,000 earned in 1970. Per share net income of $2.79 in 1971 was 8¢ or 3.0% higher than in 1970.

Securities

Average holdings of government securities were $96,485,000, slightly higher than the 1970 average of $93,184,000. At year-end the government portfolio had a book value of $120,764,000. Average term to maturity was 2 years and 7 months. The year-end Treasury portfolio was comprised as follows:

Years	Par Value	% of Total	Book Value
Less than 1 yr.	$ 33,018,500	27.30%	$ 32,386,388
1 to 5 yrs.	74,083,000	61.25	74,507,756
5 to 10 yrs.	13,226,000	10.93	13,235,873
Over 10 yrs.	630,000	.52	634,299
Total	$120,957,500	100.00%	$120,764,316

Average holdings of state and municipal securities were $227,577,000 compared with $188,013,000 in the preceding year. At year-end the municipal portfolio totaled $244,862,000 with an average term to maturity of 8 years and 4 days, comprised as follows:

Years	Par Value	% of Total	Book Value
Less than 1 yr.	$ 40,710,000	17.03%	$ 40,770,893
1 to 5 yrs.	53,620,000	22.44	54,650,341
5 to 10 yrs.	42,831,200	17.92	44,250,539
10 to 15 yrs.	71,255,000	29.82	73,414,050
15 to 20 yrs.	30,565,000	12.79	31,776,426
Total	$238,981,200	100.00%	$244,862,249

Loans

As a result of the sharp drop in interest rates noted earlier, Centran's composite yield on loans declined from 8.52% in 1970 to 7.42% in 1971.

During 1971, loans of all classifications averaged $736,023,000 compared with $672,680,000 in 1970. Commercial loans were up $20,318,000 to an average of $352,134,000. Consumer installment loans averaged $97,407,000 – $5,675,000 lower than in 1970. However, volume rose steadily and for the year was up 10.7% portending a rise in outstandings in 1972. Similarly, mortgage loans outstanding, which were off slightly to an average of $138,345,000, reached $143,203,000 at year-end. Euro-currency loans averaged $58,428,000—almost double that of the previous year.

At year-end 1971, loans reached $916,352,000 of which $125,963,000 were loans carried on the books of the American Bank of Commerce.

Deposits

Demand deposits which had declined in 1970 resumed the upward trend experienced in the preceding ten years and averaged $457,173,000 in 1971 reflecting an increase of $19,459,000 or 4.4%.

Average savings deposits also moved upward in 1971, reaching $282,050,000 — 4.4% higher than the 1970 average.

Other time deposits reached an all-time high in 1971, averaging $383,219,000 or $80,003,000 more than in 1970.

Total deposits averaged $1,122,442,000—a record level which was $111,394,000 or 11.0% higher than in 1970.

Year-end deposits, including $154,404,205 of the American Bank of Commerce, were $1,318,454,000, exceeding those at the preceding year-end by $176,664,000.

Reserve For Loan Losses

Supervisory authorities require that operating earnings be charged with a minimum loan loss provision. Average charge-offs for the most recent five-year period are divided by average loans for the same period to establish a charge-off ratio. This ratio, applied to average loans of 1971, amounted to $2,236,000 which was charged to operating income and credited to the Reserve for Loan Losses.

An additional $2,648,000, less the tax reduction resulting therefrom, was charged to Undivided Profits, and was credited to the Reserve for Loan Losses.

Loan losses charged to the Reserve amounted to $4,854,000, net of recoveries.

The year-end balance of $15,223,000 in the account included the $631,000 reserve of the American Bank of Commerce.

Capital Accounts

Total capital accounts at the beginning of the year 1971 amounted to $108,213,000. A sale of 1,650 common shares under the then existing stock option plan of Central National Bank increased capital funds by $41,000. At year-end, net income of $9,273,000 was transferred from earnings to Undivided Profits. Also at year-end, 150,000 shares of preferred stock with a value of $6,675,000 were issued in connection with the acquisition of the American Bank of Commerce.

Dividends of $5,319,000 were declared and charged to Undivided Profits. A transfer of $10,000,000 from Undivided Profits to Surplus increased the lending limit of Central National Bank to $9,000,000. The amount of $1,377,000 was charged to undivided profits to effect a transfer of $2,648,000 to the Reserve for Loan Losses.

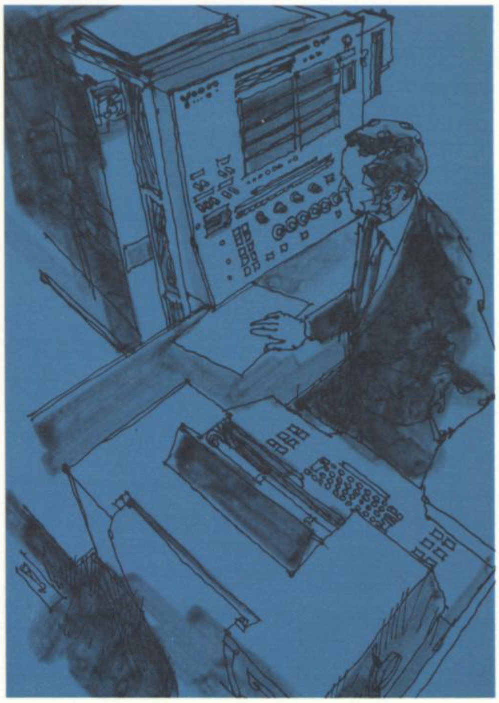
Total capital accounts at year-end reached a record peak of $117,505,000 which was $9,293,000 higher than at December 31, 1970. Year-end capital accounts are shown in the following comparative schedule:

	December 31 1971	December 31 1970
Capital Notes	$ 20,000,000	$ 20,000,000
Preferred Stock	6,675,000	—0—
Common Stock	26,596,664	26,583,464
Surplus	45,163,917	35,136,117
Undivided Profits	19,069,587	26,493,056
Total	$117,505,168	$108,212,637

Operating Highlights

Data Processing

Continuing the plan which commenced in 1970 to upgrade Central National's electronic data processing capabilities, new equipment was installed in 1971 which significantly increased the bank's computer power. The final phase of this plan will be implemented in 1972 and will result in the bank having made a complete transition from second generation and early third generation equipment to the most modern equipment available.



The need for increased computer capability stems from the desire to upgrade existing systems and to implement new systems in order to serve the bank's customers more efficiently and effectively. During 1971, a new Trust System was installed which provides, among its many new features, a comprehensive customer statement including both cash position and currently priced assets. Also, mortgage loan records were converted to a new Mortgage Loan System which utilizes a new easy-to-use customer payment coupon book. In addition, the first phase of a totally new Financial Information System was completed in the fourth quarter. This system is directed toward providing bank management with better decision making tools.

Further innovations in savings account processing were achieved with the installation of Optical Character Recognition equipment to provide machine processable information to the computer as a by-product of customer passbook processing.

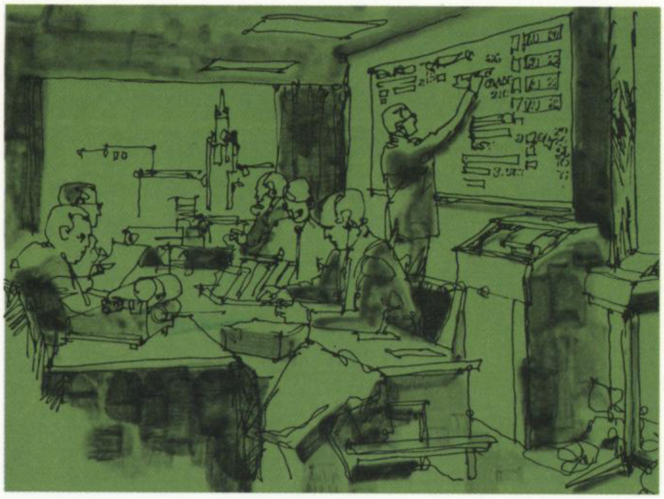
International Operations installed new electronic bookkeeping equipment to handle the bank's increasing volume of loans, deposits, foreign exchange and other activities related to this rapidly growing segment of the bank's business. This has resulted in improved control of the complex transactions handled by this division.

To centralize the wire transmission of funds, a new Wire Communications Center was created. Not only has this change improved quality, but it has also increased the bank's capacity to serve the funds transfer needs of our corporate customers.

Investment Capabilities Expanded

During 1971, the Bank and Corporate Investment Department of Central National initiated several new profit-oriented programs and expanded the range of its financial services. A trading account in U.S. Treasury and Agency Securities was established to buy and sell such securities for short term gain. This operation began in February, 1971 and produced short term capital gains and interest income of $730,000 for the year on average holdings of $4,651,000.

The Investment Department was also active in 1971 in arbitrage transactions in U.S. Government and Agency securities. This is a practice of arbitraging "out of line" securities which differ in yield, but are of similar rating and maturity.



During the last quarter of 1971, Central National introduced a major expansion of its investment services with the formation of a Municipal Bond Division. The principal functions of this new division are underwriting, fiscal services to municipalities and trading and offering of municipal securities. The division is staffed by experienced investment specialists and is now equipped to provide complete investment coverage.

Economic Development Loans

For several years, Central National Bank has had an active Economic Development Loan program directed primarily toward minority-owned businesses located in the inner city. Loans under this program involve more than normal risk due to the lack of capital and/or experience of the borrower, but are essential if minority groups are to be brought into the economic mainstream and contribute to the long range economic growth of the community. Central works closely with the Small Business Administration and has provided leadership to the Greater Cleveland Growth Corporation and other local economic development groups also active in this field.

During 1971, administration of the E.D.L. program was restructured to provide greater coordination with the branch banking system. Loan volume was more than doubled and more effective counseling was provided which is expected to significantly improve the long-range potential of the program.

Profit Improvement Program

The entire staff of Central National Bank cooperated throughout 1971 in a Profit Improvement Program designed to improve profit by suggesting ideas for reducing expense and increasing income. To assure that all the proposals would be positive, no projects were acceptable which would reduce deposit growth, borrow from the future, or downgrade service. Although started in mid-1970, the program achieved its full potential in 1971.

The effectiveness of the Profit Improvement Program can be gauged from the fact that total bank expense exclusive of interest paid for funds was constantly under budget throughout the year. Much of the expense reduction was achieved by adopting suggestions which increased efficiency and eliminated unnecessary functions which enabled the bank to operate with fewer people. In addition, several profit improvement projects enabled us to maximize earnings by expediting the conversion of deposited funds into investable cash.

Management plans to continue to seek profit improvement ideas from staffmembers in 1972. Fully believing that no one knows more about each job than the person performing it, we plan concentrated programs to elicit the suggestions of all staffmembers in addition to continuing to direct the efforts of the management group toward improving profit performance.

Personnel Training and Administration

In conjunction with the Profit Improvement Program, the Personnel Department of Central National Bank embarked upon a number of selected programs designed to increase productivity. A key element was the achievement of a better balance between services performed and the size and composition of the workforce.

The department also implemented a new and comprehensive salary administration program to insure that the bank's compensation dollars are allocated in the most effective manner.

In addition, several significant staff training programs were instituted in 1971. Among these were a revised teller training program, supervisory training seminars, a clerical skills training program, and a major sales training program.

As a part of the bank's continuing effort to improve employee relations and communications, the Personnel Department designed and developed a Drug Education Program which was presented to all employees. The audio-visual program was well received by staffmembers and obtained national recognition.

In keeping with the bank's long range manpower planning program, our recruiting efforts continued at a level designed to insure effective management continuity.

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Consolidated Statement of Condition

Centran Bancshares Corporation and Affiliates

	December 31, 1971 Note A	December 31, 1970
Assets		
Cash and Due from Banks	$ 206,422,531	$ 229,491,102
Investment Securities—Note B:		
U.S. Treasury	120,764,316	124,217,629
Federal Agency	40,991,847	16,845,625
State and Municipal	244,862,249	208,886,891
Other	8,916,178	4,655,459
Federal Funds Sold	6,700,000	5,200,000
Loans	909,651,623	707,720,446
Banking Premises and Equipment—Note C	16,328,989	12,535,737
Other Assets	22,757,434	17,986,525
Total Assets	$1,577,395,167	$1,327,539,414
Liabilities, Reserve, and Capital		
Deposits:		
Demand	$ 520,735,869	$ 472,960,814
Savings	359,820,668	277,954,422
Other Time	437,897,835	390,875,116
Total Deposits	1,318,454,372	1,141,790,352
Federal Funds Purchased and Securities and Loans Sold under Agreements to Repurchase	87,373,000	46,785,401
Note Payable—Note D	9,000,000	—0—
Other Liabilities	29,839,692	16,189,219
Total Liabilities	1,444,667,064	1,204,764,972
Reserve for Loan Losses—Note E	15,222,935	14,561,805
Capital:		
Capital Notes—4.75% due December 1, 1989	20,000,000	20,000,000
Shareholders' Equity—Notes D, F and G:		
Series A Convertible Preferred Stock	6,675,000	—0—
Common Stock	26,596,664	26,583,464
Surplus	45,163,917	35,136,117
Undivided Profits	19,069,587	26,493,056
Total Shareholders' Equity	97,505,168	88,212,637
Total Capital	117,505,168	108,212,637
Total Liabilities, Reserve, and Capital	$1,577,395,167	$1,327,539,414

See notes to financial statements.

Consolidated Statement of Income

Centran Bancshares Corporation and Affiliates

	1971	1970
Operating Income		
Interest and Fees on Loans	$54,414,957	$56,023,239
Interest on Federal Funds Sold and Securities Purchased under Agreements to Resell	786,438	1,303,353
Interest and Dividends on Investment Securities:		
U.S. Treasury	4,999,620	5,683,845
Federal Agency	547,122	700,175
State and Municipal	9,798,627	7,835,638
Other	221,270	203,355
Total Earning Asset Income	70,768,034	71,749,605
Trust Department Fees	3,078,039	2,952,918
Other Income	8,887,525	8,853,804
Total Operating Income	82,733,598	83,556,327
Cost of Funds		
Interest on Deposits	33,968,007	32,545,965
Interest on Federal Funds Purchased and Securities and Loans Sold under Agreements to Repurchase	3,789,456	5,559,744
Interest on Capital Notes—Note G	950,000	950,000
Taxes and Assessments—Note H	2,067,000	1,880,000
Total Cost of Funds	40,774,463	40,935,709
Operating Income After Cost of Funds	41,959,135	42,620,618
Operating Expenses		
Salaries and Bonuses	14,264,538	14,182,738
Pensions, Profit Sharing and Other Employee Benefits	2,572,969	2,618,266
Net Occupancy—Bank Premises	4,090,898	4,066,125
Equipment	1,679,408	1,640,216
Provision for Loan Losses—Note E	2,236,157	1,198,683
Other	6,774,470	6,617,771
Total Operating Expenses	31,618,440	30,323,799
Income Before Income Taxes and Security Transactions	10,340,695	12,296,819
Income Taxes Thereon	335,000	1,900,000
Income Before Security Transactions.	10,005,695	10,396,819
Net Security Losses After Income Tax Reduction of $676,717 in 1971 and $1,337,246 in 1970	733,109	1,380,733
Net Income	$ 9,272,586	$ 9,016,086
Per Share of Common Stock		
Income Before Security Transactions	$ 3.01	$ 3.13
Net Income	2.79	2.71

See notes to financial statements.

Consolidated Statement of Capital

Centran Bancshares Corporation and Affiliates

	Capital Notes	Preferred Stock	Common Stock	Surplus	Undivided Profits
Balance at January 1, 1970	$20,000,000	$ —0—	$26,570,664	$35,107,541	$23,604,505
Net Income for the Year					9,016,086
Cash Dividends Declared— $1.53 Per Share*					(5,093,691)
Sale of 1,500 Common Shares under Stock Option Plan . . .			12,800	28,576	
Transfer to Reserve for Loan Losses					(1,033,844)
Balance at December 31, 1970 . . .	20,000,000	—0—	26,583,464	35,136,117	26,493,056
Net Income for the Year					9,272,586
Cash Dividends Declared on Common $1.60 Per Share . . .					(5,319,333)
Sale of 1,650 Common Shares under Stock Option Plan . . .			13,200	27,800	
Transfer to Reserve for Loan Losses					(1,376,722)
Transfer from Undivided Profits to Surplus				10,000,000	(10,000,000)
Preferred Stock Issued in Connection with Acquisition of American Bank of Commerce		6,675,000			
Balance at December 31, 1971 . . .	$20,000,000	$ 6,675,000	$26,596,664	$45,163,917	$19,069,587

Adjusted for 1,107,211 shares issued to effect three-for-two stock split in 1970.

See notes to financial statements.

Consolidated Statement of Changes in Financial Position

Centran Bancshares Corporation and Affiliates

	1971	1970
Source of Funds	**Note A**	
From Operations:		
Net Income	$ 9,272,586	$ 9,016,086
Items Not Using Funds:		
Provision for Depreciation and Amortization	881,332	853,893
Amortization of Investment Security Premiums	1,038,341	654,147
Provision for Loan Losses	2,236,157	1,198,683
Provision for Deferred Income Taxes	1,270,821	1,001,282
Total from Operations	14,699,237	12,724,091
Decrease in Cash and Due from Banks	23,068,571	—0—
Decrease in Federal Funds Sold	—0—	47,650,000
Increase in Deposits	176,664,020	117,067,932
Increase in Federal Funds Purchased and Securities and Loans Sold under Repurchase Agreements	40,587,599	—0—
Increase in Other Liabilities	13,650,473	624,712
Proceeds from Sale of Common Shares under Option Plan	41,000	41,376
Reserve for Loan Losses of Acquired Bank	631,050	—0—
Assumption of Note Payable	9,000,000	—0—
Issuance of Preferred Stock	6,675,000	—0—
Total	$285,016,950	$178,108,111
Application of Funds		
Increase in Cash and Due from Banks	$ —0—	$ 48,091,149
Increase in Investment Securities—Net of Premium Amortization	61,967,327	67,016,737
Increase in Federal Funds Sold	1,500,000	—0—
Increase in Loans	201,931,177	40,180,045
Increase in Other Assets	4,770,909	4,054,224
Decrease in Federal Funds Purchased and Securities and Loans Sold under Repurchase Agreements	—0—	9,804,329
Additions to Bank Premises and Equipment—Net	4,674,584	515,708
Loan Losses—Less Recoveries	4,853,620	3,352,228
Cash Dividends Declared	5,319,333	5,093,691
Total	$285,016,950	$178,108,111

See notes to financial statements.

Notes to Financial Statements

Note A—Financial Statements. The Corporation commenced business as a bank holding company on December 31, 1971, by issuing 3,324,583 Common Shares of the Corporation in exchange for the outstanding shares of Central National Bank of Cleveland on a share-for-share basis. Also on December 31, 1971, pursuant to an agreement dated October 30, 1970, the Corporation acquired approximately 98% of the outstanding Capital Stock of American Bank of Commerce in exchange for 150,000 shares of the Corporation's Series A Convertible Preferred Stock and the assumption of a $9,000,000 indebtedness.

The exchange of shares of Central National Bank of Cleveland for Centran shares has been accounted for as a pooling-of-interests and accordingly the financial statements include the consolidated accounts of Central National Bank of Cleveland and its Edge Act subsidiary for the years 1971 and 1970. The acquisition of the American Bank of Commerce has been accounted for as a purchase and accordingly in the accompanying financial statements, the accounts of American Bank of Commerce are included only in the consolidated statement of condition at December 31, 1971.

Note B—Investment Securities. Securities are carried at cost adjusted for amortization of premiums. Securities with a carrying value of $218,771,328 and $181,543,268 at December 31, 1971 and 1970, respectively, were pledged to secure trust and public funds on deposit.

Note C—Banking Premises and Equipment. Banking premises and equipment, stated at approximate cost less accumulated depreciation and amortization, is summarized as follows:

	1971	1970
Land	$ 2,445,156	$ 1,370,620
Buildings	5,588,149	3,585,567
Leasehold Improvements	8,674,886	7,689,736
Equipment and Furniture	7,429,062	5,211,766
	24,137,253	17,857,689
Less Accumulated Depreciation and Amortization	7,808,264	5,321,952
	$16,328,989	$12,535,737

Depreciation and amortization are computed on the straight-line and declining-balance methods.

The affiliates occupy certain banking premises, including the main office of Central National Bank of Cleveland, under long-term leases expiring at various dates. The aggregate minimum annual rentals approximate $2,200,000, the principal portion of which extends to 1999.

Note D—Note Payable. The note agreement provides for repayment in installments of $500,000 at December 31, 1973, and increasing amounts thereafter until final maturity at December 31, 1979. Interest is payable initially at a rate of ½ % above the prime commercial lending rate through 1973 and at increasing differentials at intervals thereafter. The agreement also provides that 90% of the consolidated net income of the Corporation subsequent to December 31, 1971, less principal repayments on the note, is available for cash dividends.

Note E—Reserve for Loan Losses. An analysis of changes in the reserve for loan losses follows:

	1971	1970
Balance—Beginning of Year	$14,561,805	$14,680,224
Provision for Loan Losses		
Charged to:		
Operating Expenses	2,236,157	1,198,683
Undivided Profits	1,376,722	1,033,844
Deferred Income Taxes	1,270,821	1,001,282
Recoveries on Loans		
Previously Charged Off	259,573	185,575
Reserve of Acquired Bank	631,050	—0—
	20,336,128	18,099,608
Loans Charged Off	5,113,193	3,537,803
Balance—End of Year	$15,222,935	$14,561,805

The provision for loan losses charged to operating expenses is based on a ratio of the five-year averages of net loan losses to loans outstanding. The amounts charged to undivided profits and deferred income taxes represent a supplementary addition under the Internal Revenue Service formula.

Note F—Shareholders' Equity. Authorized capital shares consist of 500,000 no par Serial Preferred Stock and

7,500,000 shares of $8.00 par value Common Stock. Outstanding Common Shares were 3,324,583 and 3,322,933, respectively, at December 31, 1971 and 1970.

The 150,000 outstanding shares of Series A Convertible Preferred Stock are entitled to vote and receive cash dividends at the rate of $3.67 per share, per annum, on a cumulative basis. Additionally, each share is convertible after June 30, 1972, at the option of the holder into 1.9 shares of the Corporation's Common Stock; and 285,000 shares of Common Stock are reserved for such conversion. In the event of the liquidation of the Corporation, whether voluntary or involuntary, the holders of shares of Series A Preferred Stock are entitled to $100 a share or an aggregate of $8,325,000 over the stated value thereof. The Preferred Stock may be redeemed any time after January 1, 1977, at $100 a share.

Under a stock option plan of an affiliate (Central National Bank of Cleveland), shares were sold at not less than fair market value of the shares at date of grant. At December 31, 1971, no options were outstanding under the plan and no shares were reserved for the granting of future options.

Note G—Federal Income Taxes. In 1969, the Internal Revenue Service issued a preliminary statement of proposed adjustments challenging the deductions for interest paid on Capital Notes of an affiliate (Central National Bank of Cleveland) issued in 1964. The Bank has continued to assert its right to these deductions and the matter is presently pending in the local office of the District Director.

Note H—Taxes and Assessments. The amounts included in this classification are Ohio Deposit Tax, Ohio Capital Stock Tax, Federal Deposit Insurance Assessment and National Bank Examination Assessment.

Note I—Pension Plan. Pension expense for Central National Bank of Cleveland's noncontributory pension plan, which covers substantially all employees, amounted to $591,000 in 1971 and $818,000 in 1970. At December 31, 1971, the pension funds of affiliated banks exceeded the estimated vested benefits under the plans.

Note J—Pending Acquisition. In accordance with an agreement dated October 28, 1971, which is subject to the approval of the shareholders of Mid-Ohio BancShares, Inc. and regulatory agencies, Mid-Ohio would be merged with the Corporation by exchange of approximately 382,000 Common Shares of the Corporation for all the outstanding Common Shares of Mid-Ohio.

Accountants' Report

Board of Directors
Centran Bancshares Corporation

We have examined the consolidated financial statements of Centran Bancshares Corporation and affiliates for the years ended December 31, 1971 and 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to adjustments which may result from the final settlement of the Federal Income Tax matter described in Note G to the financial statements, the accompanying statements of condition, income, capital and changes in financial position present fairly the consolidated financial position of Centran Bancshares Corporation and affiliates at December 31, 1971 and 1970, and the consolidated results of their operations and changes in capital and financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Cleveland, Ohio
January 24, 1972

Ernst & Ernst

Central National Bank of Cleveland

Statement of Condition

	December 31, 1971
Assets	
Cash and Due from Banks	$ 200,286,578
U. S. Treasury Securities	110,776,782
Federal Agency Obligations	30,257,768
State and Municipal Securities	234,561,818
Other Securities	4,601,194
Federal Funds Sold and Securities Purchased Under Agreements to Resell	7,700,000
Loans	783,689,078
Banking Premises and Equipment	12,395,935
Other Assets	21,419,330
Total Assets	$1,405,688,483
Liabilities, Reserve, and Capital	
Deposits	$1,165,679,434
Borrowed Funds	87,373,000
Other Liabilities	26,963,996
Total Liabilities	1,280,016,430
Reserve for Loan Losses	14,591,885
Capital Accounts:	
Capital Notes (4¾ % Due 1989)	20,000,000
Shareholders' Equity:	
Capital Stock	26,796,664
Surplus	45,203,917
Undivided Profits	19,079,587
Total Shareholders' Equity	91,080,168
Total Capital	111,080,168
Total Liabilities, Reserve, and Capital	$1,405,688,483

Includes the accounts of the Bank's subsidiary, Central Cleveland International Bank, New York, N.Y.

Officers

Executive Office

JOHN A. GELBACH	*President and Chief Executive*
CHARLES S. LAWRENCE, III	*Executive Vice President*

Senior Vice Presidents

FREDERICK J. BLAKE	*Corporate and Urban Affairs*
RUSSELL H. EICHMAN	*Commercial and Correspondent Banking*
THOMAS W. HARRIS	*Controller and Financial Planning*
JAMES J. HOLLAND	*Retail Banking*
FREDERICK LYNCH, JR.	*Staff and Community Relations*
FORDE U. STEELE	*Cashier and Operations Services*
CHARLES W. WALTON	*Asset Management and Corporate Planning*
BRUCE WHIDDEN	*Trust*

The Main Office of Central National Bank is in the new, highly functional 23-story Central National Bank Building located in the center of a developing financial district in downtown Cleveland. Central's 48 banking offices provide convenient, full service banking throughout Cuyahoga County.

Our gratitude and heartfelt thanks go to a man who has dedicated most of his life to this bank — almost 44 years.

Edward L. Carpenter became Chairman and Chief Executive Officer in 1967 and stepped down as an officer of the bank in March, 1971. He contributed much to making Central a billion dollar bank and was the driving force in the founding of Centran Bancshares Corporation.

It is a pleasure to report that he will continue with the bank as Honorary Chairman and as a Director.

Retiring as active directors of Central National Bank in 1971 and named honorary directors were James M. Killpack, retired banker; James J. Nance, former chairman of Central National and chairman, First Union Realty Trust; S. B. Taylor, director, Parker-Hannifin Corporation, and Alfred E. Wolf, retired senior vice president, The Standard Oil Company (Ohio). Henry E. Russell, former president of The Carling Brewing Company, Inc., resigned from Central National's Board to accept a position out of town.

Elected to Central National's Board on March 9, 1971, were John J. Dwyer, president, Oglebay Norton Company; J. Robert Killpack, vice president-finance, Eaton Corp., and Donald G. Stevens, senior vice president, The Standard Oil Company (Ohio). They are also directors of Centran Bancshares Corporation.

* * * *

His friends and associates at Central National Bank were saddened by the tragic death on February 5, 1972, of Fred M. Hauserman, chairman of Hauserman, Inc., in an auto accident in Germany. He had been an active member of Central National's Board of Directors since 1955. His contributions were many and he will be greatly missed.

Six Year Comparative Summary

Central National Bank of Cleveland

In Thousands of Dollars (Does not include amounts of American Bank of Commerce)

	1971	1970	1969	1968	1967	1966
Average Assets						
Cash and Due from Banks	$ 230,255	$ 223,011	$ 181,598	$ 167,675	$ 150,289	$ 144,686
U. S. Treasury Securities	96,485	93,184	94,655	128,716	131,142	100,797
State and Municipal Securities	227,577	188,013	193,008	213,955	217,668	153,437
Other Securities	17,389	17,512	17,559	16,676	11,856	10,359
Loans	736,023	672,680	653,761	581,192	533,317	531,099
Other Assets	27,907	22,885	11,328	7,656	9,586	7,882
Total Assets	$1,335,636	$1,217,285	$1,151,909	$1,115,870	$1,053,858	$ 948,260
Average Liabilities and Capital						
Demand Deposits	$ 457,173	$ 437,714	$ 442,310	$ 429,499	$ 402,914	$ 389,004
Savings Deposits	282,050	270,118	276,059	282,949	280,907	288,282
Other Time Deposits	383,219	303,216	250,493	253,802	218,286	155,115
Total Deposits	1,122,442	1,011,048	968,862	966,250	902,107	832,401
Other Liabilities	90,952	84,752	65,988	40,140	46,809	16,377
Reserve for Loan Losses	13,486	14,336	14,301	14,325	14,212	14,341
Capital Notes	20,000	20,000	20,000	20,000	20,000	20,000
Shareholders' Equity	88,756	87,149	82,758	75,155	70,730	65,141
Total Liabilities and Capital	$1,335,636	$1,217,285	$1,151,909	$1,115,870	$1,053,858	$ 948,260
Earnings						
Loan Income	$ 55,201	$ 57,326	$ 52,293	$ 40,834	$ 34,994	$ 33,794
Investment Income	15,567	14,423	13,279	15,460	13,981	9,966
Other Income	11,966	11,807	7,677	6,423	5,919	5,468
Total Operating Income	82,734	83,556	73,249	62,717	54,894	49,228
Cost of Funds	40,774	40,936	32,672	28,940	25,612	21,038
Salaries and Employee Benefits	16,838	16,801	14,702	12,962	11,707	10,852
Provision for Loan Losses	2,236	1,197	594	509	555	483
Other Operating Expenses	12,545	12,325	9,702	8,538	7,011	6,289
Income Taxes	335	1,900	4,050	1,881	1,014	2,607
Total Expense	72,728	73,159	61,720	52,830	45,899	41,269
Operating Income	10,006	10,397	11,529	9,887	8,995	7,959
Security Transactions After Taxes	(733)	(1,381)	(1,954)	(1,178)	1,352	(1,965)
Net Income	$ 9,273	$ 9,016	$ 9,575	$ 8,709	$ 10,347	$ 5,994

	1971	1970	1969	1968	1967	1966
Yields on Earning Assets (a)						
Loans	7.42%	8.52%	7.97%	6.99%	6.52%	6.16%
U. S. Treasury Securities	5.39	6.10	5.45	5.39	4.62	4.55
Federal Agency Obligations	5.87	5.88	5.96	6.01	4.80	4.68
State and Municipal Securities	8.28	8.20	7.83	7.45	6.48	6.11
Composite Yield	7.42	8.19	7.66	6.86	6.21	5.94
Effective Interest Rates Paid						
Savings	3.99%	4.25%	3.72%	3.74%	3.76%	3.77%
Certificates—Individual	5.24	5.24	5.03	5.09	4.93	4.86
Other Time Deposits	6.25	7.88	6.65	5.61	5.10	4.72
Borrowed Funds	4.75	7.44	8.23	5.70	4.17	5.34
Composite Rate Paid	5.07	5.88	4.78	5.34	4.85	4.32
Average Ratios						
Income before Security Transactions as a % of:						
Total Operating Income	12.09%	12.44%	15.74%	15.76%	16.39%	16.17%
Shareholders' Equity	11.27	11.93	13.93	13.16	12.72	12.22
Loans as a % of Assets	55.11	55.26	56.75	52.08	50.61	56.01
Capital Funds as a % of Assets	8.14	8.80	8.92	8.53	8.61	8.98
Per Share Data						
Income before Security Transactions (b)	$ 3.01	$ 3.13	$ 3.47	$ 3.04	$ 2.77	$ 2.45
Net Income (b)	2.79	2.71	2.88	2.67	3.18	1.84
Dividends (c)	1.60	1.53	1.33	1.20	1.09	.93
Book Value at Year-End (c)	27.19	26.55	25.68	24.16	22.69	20.58
Price Range (high-low) (c and d)	37-24	36-24	37-30	37-27	29-23	26-20
Percent of Change						
Demand Deposits	4.45%	–1.04%	2.98%	6.60%	3.58%	
Savings Deposits	4.42	–2.15	–2.44	.73	–2.56	
Other Time Deposits	26.38	21.05	–1.30	16.27	40.73	
Total Deposits	11.02	4.35	.27	7.11	8.37	
Shareholders' Equity	1.84	5.31	10.12	6.26	8.58	
Total Operating Income	— .98	14.07	16.79	14.25	11.51	
Cost of Funds	— .40	25.29	12.90	12.99	21.74	
Total Expense	— .59	18.53	16.83	15.10	11.22	
Income before Security Transactions Per Share (b)	–3.83	–9.80	14.14	9.75	13.06	

(a) Stated on a fully taxable equivalent basis.

(b) Based on average number of shares outstanding adjusted for stock dividends and stock splits.

(c) Adjusted for three-for-two stock split May 1970, 10% stock dividend, March 1968, 50% combined stock split and stock dividend March 1966.

(d) Prices rounded to nearest dollar.

American Bank of Commerce, Akron

Statement of Condition

Assets	**December 31, 1971**
Cash and Due from Banks	$ 7,704,344
U. S. Treasury Securities	9,987,534
Federal Agency Obligations	10,734,079
State and Municipal Securities	10,300,431
Other Securities	4,314,984
Loans	125,962,545
Banking Premises and Equipment	3,933,054
Other Assets	1,327,981
Total Assets	$174,264,952
Liabilities, Reserves, and Capital	
Deposits	$154,404,205
Borrowed Funds	1,000,000
Other Liabilities	770,715
Total Liabilities	156,174,920
Reserve for Loan Losses	631,050
Capital Accounts:	
Capital Stock	4,473,105
Surplus	4,325,774
Reserves and Undivided Profits	8,660,103
Total Capital	17,458,982
Total Liabilities, Reserves, and Capital	$174,264,952

Officers

GERALD M. FOLEY	*President & Chief Executive Officer*
JOHN M. CARROLL	*Secretary and Treasurer*
JAMES R. BRAY	*Vice President & Comptroller*
L. T. BUTTERMORE	*Vice President*
PHILIP M. HAMILTON	*Vice President*
WILLIAM T. MOORE	*Vice President*
THOMAS J. OSBORNE	*Vice President*
HENRY L. PALOMBO	*Vice President*
WILLIAM H. PARMELEE	*Vice President*

American Bank of Commerce has its headquarters in a recently modernized and attractive facility at Main and Bowery Streets in the heart of Akron, Ohio. American serves the Summit County market through 15 conveniently located banking offices.

Directors

WILLARD C. BEAR	*Paine, Webber, Jackson & Curtis*
DAVID C. CORBIN	*President—CCC Rental, Inc.*
JOHN G. EVANS	*Recorder Tadmor Temple*
G. M. FOLEY	*President & Chief Executive Officer*
JOHN F. HAVENS	*Consultant*
C. B. HAZLETT	*Chairman of The Board*
WALTER P. KEITH, JR.	*President—Hygienic Dental Manufacturing Company*
E. J. KUSEL	*Chairman of Board—Leslie-Locke Building Products Co.*
CHARLES S. LAWRENCE, III	*Executive Vice President—Central National Bank of Cleveland*
JOHN B. McCARTER	*Vice President—Central National Bank of Cleveland*
NOEL R. MICHELL	*Consultant*
ROBERT D. MOSS	*Attorney*
FORREST D. MYERS	*Realtor-Appraiser*
WM. A. PALMER	*Chairman of Board—Burt Mfg. Co.*
KARL A. A. REUTHER	*Executive Vice President & Secretary—Reuther Mold & Mfg. Co.*
	Consultant
D. BRUCE MANSFIELD	*President—Ohio Edison Co.*

Centran Bancshares Corporation

Officers

JOHN A. GELBACH	*Chairman and President*
CHARLES S. LAWRENCE, III	*Vice President*
THOMAS W. HARRIS	*Treasurer*
T. S. JACKSON	*Secretary*
HUBERT HALL	*Assistant Treasurer*
WALTER J. HEDDESHEIMER	*Assistant Secretary*

Directors

JOHN A. GELBACH	*Chairman and President*
ALLAN S. AUSTIN	*Chairman, The Austin Company*
EDWARD L. CARPENTER	*Chairman of the Board, Central National Bank of Cleveland*
GREGORY S. DE VINE	*Chairman of the Board, Baltimore & Ohio Railroad*
GEORGE S. DIVELY	*Chairman of the Board, Harris-Intertype Corporation*
JOHN J. DWYER	*President, Oglebay Norton Company*
FREDERICK R. ECKLEY	*President, The Ohio Bell Telephone Co.*
ROBERT L. FAIRBANK	*Former President, Towmotor Corporation*
GEORGE M. FEIEL	*Former Vice President and Comptroller, Republic Steel Corporation*
J. ROBERT KILLPACK	*Vice President—Finance, Eaton Corporation*
GEORGE S. LOCKWOOD, JR.	*Chairman of the Board, Cleveland Steel Container Corporation*
MARK A. LOOFBOURROW	*Partner, Squire, Sanders & Dempsey*
MORTON L. MANDEL	*Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation*
HARRY T. MARKS	*President and Chief Executive, Ferro Corporation*
ROBERT D. MC CREERY	*President, H. L. McCreery & Son, Inc.*
THOMAS A. QUINTRELL	*Partner, Arter & Hadden*
KARL H. RUDOLPH	*President and Chief Executive, The Cleveland Electric Illuminating Company*
EDWARD W. SLOAN, JR.	*Former President, Oglebay Norton Company*
DONALD G. STEVENS	*Senior Vice President, The Standard Oil Company (Ohio)*
ARTHUR B. TILLMAN	*Senior Vice President, Diamond Shamrock Corporation*

NOTE: The directors of Centran Bancshares Corporation are also directors of Central National Bank of Cleveland

Affiliates

Central National Bank of Cleveland
800 Superior Avenue / Cleveland, Ohio 44114
Telephone (216) 861-7800

American Bank of Commerce
157 S. Main Street / Akron, Ohio 44308
Telephone (216) 434-1681

Affiliate banks are members of the Federal Deposit Insurance Corporation

Litho in U.S.A.

Centran Bancshares Corporation

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